
OSD Policy Guidance

The Operational Services Division
One Ashburton Place, Room 1017
Boston, MA 02108

05-10

To: Departments Heads, Affirmative Market Coordinators, POS Contract Managers, PMT Members, Chief Financial Officers, Chief Legal Counsels, and MMMARS Liaisons
From: Philmore Anderson III, State Purchasing Agent
Date: October 28, 2004
RE: **Policies and Guidance Regarding Incidental Purchasing**

Purpose of Update: To provide guidance regarding the definition and appropriate use of the incidental purchase provision identified in M.G.L. Chapter 7, section 22, that may have changed due to the implementation of the new MMARS system.

Eligible Entities: All departments whose purchasing is governed by M.G.L. Chapter 7, section 22 and M.G.L. Chapter 30, section 51 and 52 are required to follow the incidental purchasing guidelines. Departments following 801 CMR 21.00 must use the guidance provided in the Procurement Policies and Procedures Handbook and the regulation. Departments not following 801 CMR 21.00 are encouraged to use the regulation and the Procurement Policies and Procedures Handbook as a resource for establishing good business practices.

Definition: An incidental purchase is defined as a one time, non recurring, unanticipated need. Incidental purchasing is designed to assist departments in expediting simple purchases, reduce paperwork and the administrative burden of purchasing small dollar items.

Determination of Department Limits: The State Purchasing Agent has the authority to change department purchasing limits. The Legislature has granted the State Purchasing Agent the authority to increase Department incidental purchase limits up to \$5,000. All departments are expected to effectively manage a \$5,000 incidental purchase limit. Departments having the benefit of the \$5,000 limit are responsible for understanding the philosophy of incidental purchasing, developing and implementing internal controls that comply with the incidental purchasing guidelines and monitoring their purchasing patterns to ensure proper usage. A department's incidental purchase limit may be lowered if consistent noncompliance is identified and no effort is made to address the issue.

Use of Statewide Contracts: For all incidental purchases by departments using 801 CMR 21.00, statewide contracts are required to be used. If a good or service can be purchased from a statewide contract, regardless of the dollar value, it must be purchased from the statewide contract using the proper transaction and referencing the statewide contract. Departments not using 801 CMR 21.00 are encouraged to use statewide contracts if it meets their incidental purchase needs.

Object Codes: Most object codes that are governed by 801 CMR 21.00 allow incidental purchasing; however, there are several that do not. The Expenditure Classification Handbook details all object codes, the legal authority, and identifies if incidental purchasing is an option. The object codes that fall under 801 CMR 21.00 but do **NOT** allow incidental purchases are: all CCs, D06, E30, E31, H09, L01 – L13, N03, R10, T09 and T10.

Changes to Incidental Purchase Limits: It has been determined by an independent audit, as well as through the Quality Assurance Program's monitoring, that \$5,000 is a reasonable amount to allow departments to purchase without a competitive bid with minimal risk to the Commonwealth.

Resources Available: Additional information regarding incidental purchasing can be found on the OSD web page, in the CTR Knowledge Center, in the Procurement Policies and Procedures Handbook, and in the Expenditure Classification Handbook.

Training: OSD offers "Incidental Purchasing and Other Procurement Exceptions" training on a regular basis, free of charge for all department staff. This is a 90 minute session designed to provide department staff with an understanding of the six procurement exceptions with an emphasis on incidental purchasing. It includes a review and analysis of an incidental purchase report, a discussion of purchasing patterns, and helpful hints on how to use incidental purchasing to assist in meeting the women and minority business enterprise (WBE and MBE) spending benchmarks.

Transaction and Documentation Required: The encumbrance transaction for incidental purchases is the GAE (General Accounting Encumbrance document) and the payment transaction is the INP (Incidental Payment document). For most incidental purchases, only the invoice is required. However, individual Departments may determine it is in the best interest of the department to execute a Commonwealth Terms and Conditions and Standard Contract Form.

Consultant Services (M.G.L. c. 29, s. 29A): Please note that for consultant services governed by M.G.L. c. 29, s. 29A (certain HH and NN object codes), a procurement is not required for purchases less than \$5,000, however, a Secretariat approval is required for all purchases greater than \$1,000.

Oversight of Incidental Purchasing: Incidental purchasing patterns are monitored on a routine basis by the Operational Services Division's Quality Assurance Team. The Team monitors a department's incidental purchasing patterns by analyzing a Warehouse Report for a given period of time of all purchases made using a GAE transaction with an INP payment transaction. The Team reviews the report to determine patterns of possible noncompliance. The report and analysis are then reviewed and discussed with the department's CFO at the Quality Assurance site visit. When the site visit is completed, a written summary of the site visit, including recommendations regarding incidental purchasing, is forwarded to the CFO. If noncompliance is identified, departments are requested to make appropriate adjustments to come into compliance with incidental purchasing guidelines. Recommendations may include a request for a written document detailing the procedure the department will implement to ensure compliance with incidental purchasing guidelines, request that a departmental MA be developed or simply a request for the department to use statewide contracts when available. Additional follow up may be made by the Quality Assurance Team when necessary. When continuous noncompliance is found with no evidence of improvement a department's incidental purchasing limit will be lowered until compliance is achieved.

Contact Information: For questions or more information, you may contact Jeanne Campbell at 617-720-3148 or via email at Jeanne.campbell@osd.state.ma.us.

801 CMR 21.00 Object Codes for Incidental Purchasing

SUBSIDIARY/OBJECT CODES	INCIDENTAL PURCHASE LIMIT
Administrative Expenses: EE (E01, E02, E08, EE8, E09, E14, E15, E22)	\$5,000
Facility Operational Supplies and Expenses: FF (F01, F03-F11, F13, F16, F18-F21, F25-F28)	\$5,000
Energy Costs and Space Rental Expenses: GG (G05-G07, G10, GG1, GG3)	\$5,000
Consultant Services (M.G.L. c. 29, s.29A) HH (H01- H08, H10-H16, H19-H23, H25, H28, H30, H32, H98)	\$5,000 <i>need Secretariat sign off over \$1,000</i>
Operational Services: JJ (J01, J04-J05 J07-J10, J12, J14, J16, J18, J20, J21, J23, J25, J27, J29, J32, J33, J38-40, J42-44, J46, J47, J50-J52, J54, J56, J58-J61, J98)	\$5,000
Equipment Outright Purchase: KK (K01-K07, K09-K13)	\$5,000
Equipment Rental, Lease, Maintenance and Repair: LL (L21-L27 L29-L33, L41-L47, L49-L53)	\$5,000
Human and Social Services: MM (MM1, MM3, M01, M03, M04, M10, M11, M98, M1M, M2M)	\$5,000
Construction, Improvements, and Maintenance: NN (N18,N23, N98) (M.G.L. c. 29,s.29A) (N01, N02, N04-N06, N08, N12-N14)	\$5,000 <i>need Secretariat sign off over \$1,000</i>
Entitlement Programs RR (R07, R18, R21, R25)	\$5,000